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U.S. EPA REGION 10  
OFFICE OF REGIONAL COUNSEL

Direct Phone  
800.600.2133

E-Mail  
hutch@robertskaplan.com

October 12, 2010

VIA E-MAIL AND  
1<sup>ST</sup> CLASS MAIL

Ms. Lori Houck Cora  
Assistant Regional Counsel  
U.S. Environmental Protection Agency  
Region 10, ORC-158  
1200 Sixth Avenue+  
Seattle, WA 98101

Re: Portland Harbor Superfund Site; Linnton Plywood Association ("LPA")  
**FRE 408 Confidential Settlement Communication**  
Response to your October 5<sup>th</sup> inquiry and description of Liberty Mutual Proposal

Dear Lori:

This letter responds to your October 5, 2010, inquiries and includes a description of the proposal we have received from Liberty Mutual and which you and I discussed in a recent conversation.

With respect to your three October 5<sup>th</sup> questions, we respond as follows:

1. **Accounts Payable Details.** The Accounts Payable figure we have provided is largely comprised of deferred attorneys' fees. These have necessarily and appropriately been incurred, in some instances on a compromised fee basis. These are accrued fees due this firm from this longstanding firm client. We sometime ago committed to work to bring to a successful conclusion LPA's liquidation which was substantially complicated by the Superfund process. This has proved more difficult and to take longer than ever anticipated. In order to continue this deferred payment arrangement with our client, they agreed that our deferred fees would accrue but be secured by a deed of trust on the property. Under these circumstances we would submit that no additional discount is warranted.
2. **Debt Reduction Possibilities.** We don't expect indebtedness to other creditors of any significance.

3. **Real Estate Commission.** Under all the circumstances, we have been able to negotiate a reduction in the amount of the real estate commission which is due to the broker who has represented LPA for many years and through several failed sales. The commission will be calculated based on the down payment at closing. The broker also provided services relative to the pending transaction with LPA's current prospective purchaser. The identity of the broker is Bradford H. Fletcher of the Grubb & Ellis firm located at 1120 NW Couch St., Portland, Oregon, 97209.

### **Liberty Mutual Insurance Company Proposal**

On October 6, 2010, we were advised by Ms. Tracey Donaghue, Senior Environmental Claim Specialist in Liberty Mutual Group's Complex and Emerging Risk Claims Department, that Liberty would pay the policy limits with respect to five years of coverage which is available, in their opinion, for those specified years. Accordingly, Liberty advises that it would distribute \$500,000 for the years they have identified involving policies which they determined have coverage that is available and applicable to this loss. They will pay these limits for the identified years and expect LPA to release any and all of its claims for coverage only in those years. Both Liberty and LPA will reserve rights with respect to whether or not there is coverage in the remaining 14 years that have been identified as possibly affording coverage for the subject loss. They will not agree to any specific dispute resolution model or make any concession that would impact any of their rights to litigate coverage consistent with the policy provisions. They would also expect LPA in its role as the insured to cooperate in any claims that may be made against Liberty for coverage in the remaining 14 years. We have requested that Liberty provide written confirmation of this proposal and we will provide that as soon as it is received.

We believe this responds to all of the questions that are currently outstanding. Please let us know if you need anything further to complete your analysis of LPA's settlement proposal.

Very truly yours,



William P. Hutchison

WPH/dod

cc: Mike McNulty  
Robert Taylor  
Barry Stein  
Kristine Koch  
Paul B. George